

Message Text

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ACTION ARA-14

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C O N F I D E N T I A L LIMA 5109

E.O. 11652: GDS
TAGS: PINT, PINS, PE
SUBJECT: REACTION TO ECONOMIC AUSTERITY MEASURES

REF: A) LIMA 4852; B) LIMA 4882

SUMMARY: THE WEEK FOLLOWING IMPOSITION OF FURTHER ECONOMIC AUSTERITY MEASURES WAS MARKED BY ISOLATED AND EASILY CONTROLLED STUDENT DISTURBANCES IN LIMA AND MORE SERIOUS STUDENT-LED RIOTING IN CUZCO RESULTING IN INJURIES, NUMEROUS ARRESTS AND A 9:00 P.M. TO 5:00 A.M. CURFEW. TRADE UNION REACTION HAS BEEN LIMITED, WITH THE MOSCOW-LINE CGTP BANK WORKERS FEDERATION THE ONLY IMPORTANT UNION TO WALK OUT (FOR 1 1/2 HOURS) IN PROTEST OF ECONOMIC MEASURES. MORE SERIOUS DISTURBANCES COULD YET BREAK OUT IN LIMA, AS THE FULL IMPACT OF FOOD PRICES HIKE WILL BE FELT THE WEEKEND OF JUNE 18-19. END SUMMARY.

1. THE WEEK FOLLOWING ECONOMIC AUSTERITY DECREES BEGAN QUIETLY WITH BUS DRIVERS AND TEAMSTERS FEDERATION SUPPORTING GOVERNMENT AUSTERITY MEASURES (THEY HAD BEEN ASSURED OF BUS FARE AND TARIFF INCREASES ALONG WITH OTHER FRING BENEFITS TO COMPENSATE FOR THE GASO-
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LINE PRICE HIKE.) FAR-LEFT STUDENTS AT THE DOWNTOWN LIMA VILLAREAL UNIVERSITY TOOK TO THE STREETS IN PROTEST JUNE 13, BUT ALERT POLICE UNITS WERE ON HAND TO CONTROL THE SITUATION. ABOUT FORTY STUDENTS WERE ARRESTED (A RELATIVELY SMALL NUMBER AND INDICATIVE OF THE SCALE OF THESE DISTURBANCES.) SPORADIC STUDENT STREET PROTESTS OCCURRED DURING THE WEEK IN THE UPPER MIDDLE CLASS SUBURB OF MIRAFLORES AND IN

SEVERAL UNIVERSITY CAMPUSES AROUND TOWN. THE RADICALIZED SAN MARCOS UNIVERSITY WAS RELATIVELY QUIET (SOME EXTREMIST STUDENT LEADERS HAD REPORTEDLY BEEN DETAINED PRIOR TO LAST WEEK'S ECONOMIC MEASURES.) POLICE WERE INVARIABLE READY TO HANDLE THE SITUATION.

2. DISCONTENT WITH ECONOMIC MEASURES, PRIMARILY THE BUS FARE INCREASES, RESULTED IN ISOLATED PROTESTS IN LIMA SLUM TOWNS AND A FEW BUSES WERE REPORTEDLY BURNED. BY MID-WEEK, THE GOP HAD PROVIDED GOVERNMENT-OWNED BUSES WITH ARMED SOLDIERS AS A PRECAUTIONARY MEASURE.

3. TRADE UNION CONFEDERATIONS EVALUATED THE AUSTERITY PROGRAM DURING THE WEEK AND PLANNED WEEKEND COMMUNIQUE. THE APRA-ORIENTED CTP CONFEDERATION TOLD THE EMBASSY THAT IT PLANNED TO ACCEPT THE AUSTERITY MEASURES WITH A SPIRIT OF SACRIFICE, BUT IN ITS COMMUNIQUE WOULD CRITICIZE THE UNWILLINGNESS OF GOVERNMENT OFFICIALS, AND PRIMARILY THE MILITARY, TO SHARE THE PEOPLE'S BURDEN. THE CTP PLANNED TO CALL ON MILITARY OFFICIALS TO GIVE UP THEIR GASOLINE ALLOWANCES AND FOOD PRIVILEGES (UPON REFLECTION, HOWEVER, THE UNION MAY DECIDE TO AVOID DIRECT CRITICISM OF MILITARY PRIVILEGES). THE CTP ADVISED THE GOP THAT IT WILL DISCOURAGE PROTEST STRIKES (PART OF THE APRA POLICY OF COOPERATION WITH THE GOP, IN RETURN FOR A POLITICAL OPENING TOWARD DEMOCRACY.) THE ONLY IMPORTANT UNION THUS FAR TO WALK OUT IN PROTEST AGAINST THE AUSTERITY MEASURES HAS BEEN THE MOSCOW-LINE CGTP BANK WORKERS FEDERATION AND THAT STRIKE AMOUNT TO A 1 1/2 HOUR SUSPENSION OF WORK JUNE 13. IN THE EARLY MORNING FOLLOWING ITS STRIKE, THE BANKERS FEDERATION BUILDING WAS BOMBED, PERHAPS BY DISSIDENT

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BANK WORKERS THEMSELVES AND THE INTERIOR MINISTRY ISSUED A STERN WARNING TO THE UNION TO REFRAIN FROM FURTHER ILLEGAL STRIKES. THE LIMA FEDERATION OF THE GOVERNMENT SPONSORED CTRP TRADE UNION CONDEMNED GOVERNMENT ECONOMIC POLICY. IN APPARENT RESPONSE, THE GOP'S SOCIAL MOBILIZATION AGENCY (SINAMOS) RAIDED THE CTRP LIMA FEDERATION HEADQUARTERS JUNE 14 AND THREW OUT THE LEADERSHIP. THEREUPON, THE LIMA CTRP ISSUED A COMMUNIQUE CALLING FOR WORKER SUPPORT OF GOVERNMENT'S ECONOMIC RECOVERY PROGRAM. FAR-LEFT UNIONS ARE SAID TO BE PREPARING MORE GENERALIZED STRIKE ACTIVITY, BUT THEY MAY NOT BE ABLE TO ORGANIZE SUFFICIENTLY TO RISK CHALLENGING THE GOVERNMENT.

3. STREET DISTURBANCES LED BY RADICAL STUDENTS BROKE OUT IN CUZCO JUNE 15 AND DEGENERATED INTO RIOTS JUNE 16. THERE ARE UNCONFIRMED RUMORS OF SERIOUS INJURIES AND/OR DEATHS. POLICE MOVED ENERGETICALLY TO QUELL THIS VIOLENT PROTEST AND THE GOP SLAPPED AT 9:00 P.M. TO 5:00 A.M. CURFEW ON CUZCO. IN A JUNE 17 ARMED FORCES JOINT COMMUNIQUE MILITARY AUTHORITIES ASSERTED THAT THE REST OF PERU REMAINS QUIET. THE EMBASSY HAS LEARNED

OF A WORKER/POLICE CLASH JUNE 16 IN THE CAYALTI SUGAR CO-
OPERATIVE NEAR THE NORTHERN TOWN OF CHICLAYO, AND THERE ARE
REPORTS THAT SOME STUDENTS ARE STILL IN THE STREETS IN CUZCO.

4. COMMENT: A. THE MANNER IN WHICH THE GOP HANDLED THIS
AUSTERITY PACKAGE PLAIN TALK OF FINANCE MINISTER PIAZZA,
ARTICULATED APPROACH TO WAGE AND PRICE INCREASES AND WELL
PUBLICIZED GOP RESOLVE TO POUNCE UPON PROTESTORS, HAS SERVED
THUS FAR TO MINIMIZE DISORDERS. IN THE LABOR SECTOR, FOR
EXAMPLE, WORKERS FEAR THAT PROTESTS COULD COST THEM THEIR JOBS
AND THE GOP HOLDS OUT THE PROMISE OF SOME WAGE GAINS IN FUTURE
COLLECTIVE BARGAINING. IN ADDITION, MOSCOW-LINE LABOR
LEADERS FACE A POLITICAL DILEMMA. AS DISCIPLINED COMMUNIST PARTY
MEMBERS, THEY SHARE THE PARTY'S AVERSION TO FREE ELECTIONS,
THE ONLY ALTERNATIVE TO WHICH IS THE CONTINUANCE OF THE MILGOV.
AND THEY REALIZE THAT SERIOUS LABOR PROTESTS WOULD LIKELY
CAUSE THE MILGOV TO MOVE FURTHER TOWARD THE POLITICAL RIGHT.
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FAR LEFT ELEMENTS, OF COURSE, DO NOT SHARE THE COMMUNIST PARTY
DILEMMA AND MAY EVEN INVITE REPRESSION THE APRA UNIONS CONCERNED
ABOUT THE SINCERITY OF THE GOP'S COMMITMENT TO ELECTIONS, ALSO
ISH TO AVOID LABOR UNREST WHICH COULD POSTPONE STEPS TOWARD
DEMOCRACY.

B. SPONTANEOUS DISTURBANCES, PERHAPS CENTERED IN SLUM
TOWNS SURROUNDING LIMA AND OTHER MAJOR CITIES, COULD ERUPT AT
ANY TIME, AS THE FULL IMPACT OF FOOD PRICE HIKES IS FELT. SOME
PRICES, INCLUDING MEAT, HAVE SHARPLY INCREASED THIS WEEK AND OTHER
BASIC FOOD STUFFS ARE EXPECTED TO RISE IN PRICE OVER THE WEEKEND.
IN ANTICIPATION OF THAT, VEGETABLES AND GRAINS HAVE DISAPPEARED
FROM MANY SLUM TOWN MARKETS AS SPECULATORS HOLD PRODUCTS OFF
THE SHELVES. THE GOP HAS BEEN ATTEMPTING TO FERRET OUT ILLEGAL
FOOD CACHES AND WILL NO DOUBT REMAIN ALERT TO THE POTENTIAL
FOR VIOLENCE AS PRICES JUMP.

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